



RATING ACTION COMMENTARY

Fitch Revises FCA Bank's Outlook to Stable on Similar Action to Parent

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Fitch Ratings - Milan - 02 Nov 2021: Fitch Ratings has revised FCA Bank S.p.A.'s (FCA Bank) Outlook to Stable from Negative, while affirming the bank's Long-Term Issuer Default Rating (IDR) at 'BBB+', and Support Rating (SR) at '2'. A full list of rating actions is detailed below.

The rating action follows the recent revision of the Outlook on FCA Bank's direct and ultimate parents CA Consumer Finance (CACF) and Credit Agricole S.A. (CA) to Stable from Negative (see also "Fitch Revises Credit Agricole's Outlook to Stable; Affirms at 'A+' " dated 27 October 2021 and available at www.fitchratings.com).

KEY RATING DRIVERS

FCA Bank's ratings are based on Fitch's assessment of the availability of potential support from CACF, and, ultimately, from CA. CA provides ongoing support to FCA Bank, mostly through funding and liquidity via a funding agreement between FCA Bank and CA. This agreement is embedded in the joint-venture agreement between CA and FCA Italy S.p.A., a 100% subsidiary of Stellantis N.V. (BBB-/Stable). Fitch does not factor any support from Stellantis into FCA Bank's ratings.

The three-notch difference between CA's and FCA Bank's IDRs largely reflects the 50% ownership and the significant influence CA's JV partner, Stellantis, has on FCA Bank's business generation.

The merger between FCA and Peugeot SA into Stellantis may entail a re-organisation of their respective captive lenders. However, Stellantis' priority is to focus primarily on industrial synergies. We expect no changes, at least until the expiration of FCA Bank's shareholders' JV agreement (end-2024). We also expect that the funding agreement between FCA Bank and CA will remain in place until end-2024, even if one of the two parties announces its intention to exit the JV. We expect more clarity on the long-term strategy by year-end, since the non-renewal of the JV beyond 2024 is subject to a notice provided by any shareholder by end-2021.

FCA Bank's ratings are not constrained by Italy's sovereign ratings (BBB-/Stable) as the bank has no direct exposure to Italian sovereign risk. Fitch also believes that FCA Bank is less exposed than universal deposit-taking banks to the risk of restrictions being imposed on its ability to service its obligations, should Italy's operating environment materially worsen. Business generated in Italy accounts for nearly 50% of the bank's total and retail deposits accounted for only 6% of total non-equity funding at end-2020.

CA's propensity to provide funding, if needed, remains high, in our view, despite a reduction of CA's contribution to non-equity funding since 2010 (CA accounted for 16% of total liabilities at end-2020) as part of CA's strategy to increase the autonomy of its subsidiaries' funding profiles.

Fitch has affirmed FCA Bank Irish Branch's and FCA Capital Suisse SA's senior unsecured debt ratings at 'BBB+', in line with the Long-Term IDR of FCA Bank, because we do not believe that internal resolution debt and equity buffers would offer obvious incremental protection over and above the institutional support benefit already factored into the bank's IDRs.

FCA Bank Irish Branch's senior unsecured notes rank pari passu with FCA Bank's senior unsecured obligation. FCA Capital Suisse SA's senior unsecured notes are unconditionally and irrevocably guaranteed by FCA Bank and rank pari passu with the guarantor's senior unsecured obligations.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

-Fitch could upgrade FCA Bank's Long-Term IDR if CA's, CACF's and Italy's IDRs are all upgraded, while the Italian operating environment remains stable and FCA Bank's exposure to Italian sovereign risk remains limited.

-FCA Bank's ratings are also sensitive to a change in the ownership structure and the JV agreement. The notching difference between FCA Bank's and CACF's IDRs could

narrow if CACF significantly increases its stake in FCA Bank to above the 50% it currently holds while remaining committed to Italy as a strategic market. This would also require that the sovereign rating is upgraded.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

FCA Bank's ratings are sensitive to a change in the ownership structure, should CA or Stellantis decide to terminate their partnership. Fitch could then place FCA Bank's rating on Rating Watch Negative or Evolving, until the new corporate structure and the consequent rating approach (standalone or support-driven) becomes clear.

FCA Bank's ratings are also sensitive to changes in Fitch's assumptions about CA's propensity to support the bank. A downgrade of CA's and CACF's IDRs would result in a downgrade of FCA Bank's IDR, reflecting a weakening of the parents' ability to support a strategically important subsidiary.

FCA Bank's attractiveness to CA could be sensitive to significant economic deterioration in Italy if this results in a materially negative impact on FCA Bank's asset quality and capitalisation. FCA Bank's ratings could be downgraded if CA's ratings are affirmed, while Italy becomes a less strategically important market for CA.

While FCA Bank's ratings are not constrained by Italy's sovereign, Fitch is unlikely to widen the notching difference between FCA Bank's and Italy's IDRs to above two notches. This means that, if Italy is downgraded, we would also downgrade FCA Bank. It also means that we would revise FCA Bank's Outlook to Negative from Stable, if Italy's Outlook is revised to Negative.

Fitch would narrow the notching difference between FCA Bank's and Italy's IDRs to one notch, if the deposit base increases and becomes a material source of funding, although this is not deemed likely in the medium term.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to

determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

As support-driven issuers have strong linkages to their support providers, the ESG Credit-Relevance Score assigned to the 'supported' subsidiaries often mirrors those of their corporate and financial institution parents. This reflects our opinion that many of the ESG elements at the parent level are credit relevant for the subsidiary.

Therefore, FCA Bank's scores are mostly aligned with those of CA. FCA Bank differs from CA with scores for 'GHG Emissions' at '3' and 'Energy Management' at '2', reflecting the focus on the automotive industry as Stellantis' captive car lender.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. ESG issues are credit neutral or have only a minimal credit impact on Leasys, either due to their nature or the way in which they are being managed. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING		PRIOR	
FCA Capital Suisse SA				
● senior unsecured	LT	BBB+	Affirmed	BBB+
FCA Bank S.p.A.	LT IDR	BBB+ Rating Outlook Stable	Affirmed	BBB+ Rating Outlook Negative
	ST IDR	F1	Affirmed	F1
	Support	2	Affirmed	2

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Non-Bank Financial Institutions Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)

[Bank Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)

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FCA Bank S.p.A. (Irish Branch)	EU Issued, UK Endorsed
FCA Capital Suisse SA	EU Issued, UK Endorsed

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